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DEPARTMENT OF ENERGY

Western Area Power Administration

Proposed Salt Lake City Area Integrated Projects Firm Power Rate and Colorado River Storage Project Transmission and Ancillary Services Rates – Rate Order No. WAPA-190

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed firm power rate and transmission and ancillary services formula rates.

SUMMARY: Western Area Power Administration (WAPA) proposes a new Salt Lake City Area Integrated Projects (SLCA/IP) firm power rate and revised Colorado River Storage Project (CRSP) transmission and ancillary services formula rates. The existing rates for these services expire on September 30, 2020. Currently, there is a 4.25 percent projected decrease to the firm power composite rate. WAPA also proposes modifications to the Cost Recovery Charge (CRC) formula. WAPA proposes changes to the annual transmission revenue requirement. WAPA also proposes to add generator imbalance service to the energy imbalance rate schedule and implement a new rate schedule for the sale of surplus products.

DATES: A consultation and comment period will begin [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*] and end [INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER OR APRIL 13, 2020, WHICHEVER IS LATER*]. WAPA will present a detailed explanation of the proposed rates and modifications at a public information forum on the following date and time: March 12, 2020, 11 a.m. MDT to 1 p.m. MDT. WAPA will accept oral and written comments at a public comment forum on the following date and time: March 12, 2020, 1:30 p.m. to no later than 3 p.m. MDT. WAPA will accept written comments any time during the consultation and

comment period.

ADDRESSES: Written comments and requests to be informed about Federal Energy Regulatory Commission (FERC) actions concerning the proposed rates submitted by WAPA to FERC for approval should be sent to: Mr. Steven Johnson, CRSP Manager, Colorado River Storage Project Management Center, Western Area Power Administration, 299 South Main Street, Suite 200, Salt Lake City, UT 84111, (801) 524-6372, or email: *johnsons@wapa.gov* or *CRSPMC-RATE-ADJ@WAPA.GOV*. WAPA will post information about the proposed rates and written comments received to its website at:

<https://www.wapa.gov/regions/CRSP/rates/Pages/rates.aspx>.

The public information and comment forum location is 299 South Main Street, 23rd Floor Conference Room, Salt Lake City, Utah.

FOR FURTHER INFORMATION CONTACT: Mr. Thomas Hackett, Rates Manager, Colorado River Storage Project Management Center, Western Area Power Administration, (801) 524-5503, or e-mail: *CRSPMC-rate-adj@wapa.gov*.

SUPPLEMENTARY INFORMATION: On December 29, 2016, FERC approved and confirmed, under Rate Order No. WAPA-169 on a final basis through September 30, 2020,¹ the following Rate Schedules: SLIP-F10 for SLCA/IP Firm Power, SP-PTP8 for Firm Point-To-Point Transmission Service, SP-NW4 for Network Integration Transmission Service, SP-NFT7 for Non-Firm Point-To-Point Transmission Service, SP-SD4 for Scheduling, System Control, and Dispatch Service, SP-RS4 for Reactive Supply and Voltage Control from Generation and Other Sources Service, SP-EI4 for Energy Imbalance Service, SP-FR4 for Regulation and Frequency Response Service, SP-SSR4 for Operating Reserves – Spinning and Supplemental

¹ Order Confirming and Approving Rate Schedules on a Final Basis, FERC Docket Nos. EF15-10-000, 155 FERC ¶ 61,042 (2016).

Reserve Services, and SP-UU1 for Unreserved Use Penalties. FERC subsequently approved and confirmed, under Rate Order No. WAPA-174² on a final basis through September 30, 2021, the following Rate Schedules: L-AS1 for Scheduling, System Control, and Dispatch Service, L-AS2 for Reactive Supply and Voltage Control from Generation or Other Sources Service, and L-AS3 for Regulation and Frequency Response Service, which superseded Rate Schedules SP-SD4, SP-RS4, and SP-FR4, respectively.

The proposed firm power rate is a fixed rate, and WAPA will continue to use the formula-based methodology for the proposed transmission and ancillary services rates, which include an annual update to the applicable financial and load data. WAPA intends the proposed rates to be effective October 1, 2020. The charges under the formula rates will be annually updated each October 1 thereafter. The proposed rates will remain in effect until September 30, 2025, or until WAPA supersedes or changes the rates through another public rate process pursuant to 10 CFR part 903, whichever occurs first.

The proposed rates will provide WAPA with sufficient revenue to recover annual Operation, Maintenance and Replacement (OM&R) expenses, interest expense, irrigation assistance, and capital repayment requirements while ensuring repayment of the project within the cost recovery criteria set forth in Department of Energy (DOE) Order Resource Application 6120.2.

SLCA/IP FIRM POWER RATE:

Under the current Rate Schedule SLIP-10, the energy rate is 12.19 mills per kilowatt-hour (mills/kWh), and the capacity rate is \$5.18 per kilowatt-month (\$/kWmonth). The composite rate of all charges, used for reference only as a comparison against other wholesale power rates, is

² WAPA-174 was approved by the Deputy Secretary of Energy on August 12, 2016 (81 FR 56632). FERC Order Confirming and Approving Rate Schedules on a Final Basis, FERC Docket No. EF16-5-000, 158 FERC ¶62,181 (2017).

29.42 mills/kWh.

The revenue requirement for the proposed rate is based upon the most current data available, specifically the fiscal year (FY) 2018 historical financial data and the FY 2021 work plans for WAPA and the Bureau of Reclamation (Reclamation). WAPA plans to use the FY 2019 historical financial data and FY 2022 work plans, if available, in the final rate setting study and rate order submission.

Table 1 – COMPARISON OF EXISTING AND PROPOSED FIRM POWER RATES

Rate Schedule	Existing Rate Under Rate Schedule SLIP-F10 Effective October 1, 2015	Proposed Rate Under Rate Schedule SLIP-F11 Effective October 1, 2020	Change
Base Rate:			
Firm Energy: (mills/kWh)	12.19	11.79	-3.28%
Firm Capacity: (\$kW/month)	5.18	5.01	-3.28%
Composite Rate ³ : (mills/kWh)	29.42	28.17	-4.25%

Currently, WAPA uses Reclamation’s April, 24-month, long-term, average hydrological study in combination with Reclamation’s August Colorado River Simulation System (CRSS) model traces to forecast 5 years of firming-energy purchase requirements. WAPA proposes using the most-probable water releases reported in Reclamation’s *August 24-Month Study* to determine the first year of firming-energy-purchase projections. For subsequent years, WAPA will continue to use Reclamation’s August CRSS model traces to estimate energy purchase projections while using a rolling median value to minimize fluctuations. In addition, WAPA proposes projecting the required firming-energy purchases, for a period that overlaps the years in which a subsequent rate would become effective, in order to avoid gaps in the forecasts.

Finally, WAPA plans to remove the \$4 million per year in purchase power out years in the

³ The composite rate is used for reference only as a comparison against other wholesale power rates.

current rate schedule, which was previously used as a broad-cost estimate of operational energy purchases for the Energy Marketing and Management Office in Montrose, Colorado. Improved modeling tools that incorporate outages and scheduled maintenance produce more accurate estimates of purchase power expenses have rendered this requirement obsolete.

Cost Recovery Charge

WAPA would continue to use the CRC, if necessary, as a mechanism to adequately recover and maintain a sufficient balance in the Upper Colorado River Basin Fund (Basin Fund)⁴ in the event projected expenses significantly exceed projected revenue estimates. The CRC is an additional surcharge on all Sustainable Hydro Power (SHP)⁵ energy deliveries. The CRC may be implemented when, among other things, the Basin Fund's cash balance is at risk due to low hydropower generation, high prices for firming power, and funding for capitalized investments. The volatility of hydropower generation and power prices continues to be a concern for cost-recovery issues for the SLCA/IP. The CRC is based only on Basin Fund cash analysis and is independent of the Power Repayment Study calculations.

WAPA proposes to move the CRC from a FY timeline to a calendar year (CY) timeline and to use Reclamation's *August 24-month Study* to calculate projected purchase power expenses. This aligns the purchase power projections for the CRC with those in the firm power rate. This proposal would change the annual notification date from May 1 to October 1. WAPA would provide its customers with information concerning the anticipated CRC and allow them 45 days to request a waiver or accept the CRC. The established CRC would be in effect for 12 months

⁴ Upper Colorado River Basin Fund was established through the CRSP Act of 1956, to receive revenues collected in connection with the projects, to be made available for defraying the project's costs of operation, maintenance, and emergency expenditures.

⁵ SHP Energy – Sustainable Hydro Power energy is the minimum quantity of firm energy, expressed in kWh, that each Salt Lake City Area Integrated Projects firm electric service customer/contractor is entitled to receive each Winter Season and each Summer Season as set forth in the respective firm electric service contract with each customer/contractor.

from the date implemented. If circumstances dictate the need to reassess an enacted CRC, the updated CRC would supersede the previous CRC and remain in effect for 12 months.

The CRC is implemented at WAPA's discretion based on the balance of the Basin Fund and WAPA's ability to meet contractual requirements⁶. The minimum Basin Fund carryover balance is \$40 million.

Table 3 – CRC IMPLEMENTATION TIERS

Tier	Criteria, if the Basin Fund Beginning Balance is:	Review
i	Greater than \$150 million with an expected decrease to below \$75 million	Annually
ii	Less than \$150 million but greater than \$120 million with an expected 50 percent decrease in the next CY	
iii	Less than \$120 million but greater than \$90 million with an expected 40 percent decrease in the next CY	
iv	Less than \$90 million but greater than \$60 million with an expected 25 percent decrease in the next CY	Semi-Annual (May/November)
v	Less than \$60 million but greater than \$40 million with an expected decrease to below \$40 million in the next CY	Monthly

WAPA also reserves the right to consider a CRC if annual water releases from Glen Canyon Dam fall below 8.23 million acre-feet regardless of the Basin Fund balance.

Customers can accept either the CRC or WL, not a combination of the two. For these customers, WAPA will establish an energy waiver level (WL) using the CRC formula. The WL provides WAPA the ability to reduce purchase power expenses by scheduling less energy than its contractual obligations. For those customers who agree to schedule no more energy than their proportionate share of the WL, WAPA will waive the CRC for that year.

WAPA also proposes modifications in SLIP-F11 to account for lost revenue associated with the decreased energy deliveries that occur when a customer requests the WL. The details of the calculations will be provided in the customer brochure prior to the public information forum.

⁶ See Table 3.

WAPA also proposes to decrease a customer's monthly SHP capacity allocation proportionally under the WL to match the monthly energy reduction.

TRANSMISSION SERVICES:

Annual Transmission Revenue Requirement (ATRR)

Under this proposal, WAPA would not change the existing formula rate for calculating the Annual Transmission Revenue Requirement (ATRR), which is applicable to both Network Integration and Point-to-Point transmission services. The ATRR is the annual cost of the CRSP Transmission System, adjusted for Non-Firm Point-to-Point revenue credits, other miscellaneous charges or credits, and the prior year true-up. WAPA is, however, proposing to change the projection period for calculating the ATRR in order to recover transmission O&M costs on a current basis rather than on a historical basis. Using the current-basis methodology would more accurately align cost recovery with cost incurrence. WAPA proposes to estimate transmission costs and loads for the current year in the annual rate calculation, thus changing how the inputs are developed rather than the formula rate itself. WAPA would then true-up cost estimates to actual costs and any revenue collected in excess of WAPA's actual net revenue requirement would be returned to customers through a credit against the transmission rates in a subsequent year. Actual revenues that collect less than the net revenue requirement would, likewise, need to be recovered through an increased revenue requirement in a subsequent year. The true-up procedure would help ensure WAPA recovers no more and no less than the actual transmission costs for the year.

Unreserved Use Penalties

WAPA proposes no changes to the Unreserved Use penalty rate.

ANCILLARY SERVICES:

Energy Imbalance and Generator Imbalance Services

WAPA proposes adding Generator Imbalance Service (GIS), Schedule 9 to WAPA's Open Access Transmission Tariff to the Energy Imbalance Service Rate Schedule. GIS is provided to CRSP, as a Transmission Service Provider, by the Western Area Colorado Missouri Balancing Authority under Rate Schedule L-AS9.

Spinning and Supplemental Reserves

WAPA proposes no changes to the Operating Reserves – Spinning and Supplemental Reserves Services formula rate.

Sale of Surplus Products (SP-SS1)

WAPA proposes implementing a new rate schedule applicable to the sale of the following surplus energy and capacity products: energy, regulation, reserves, and frequency response. WAPA would determine the charge for each product at the time of the sale based on market rates, plus applicable administrative costs, and would use separate agreement(s) to specify the terms of sale(s). The customer would be responsible for acquiring transmission service necessary to deliver the product(s), for which a separate charge may be incurred.

Legal Authority

Existing DOE procedures for public participation in power and transmission rate adjustments (10 CFR part 903) were published on September 18, 1985, and February 21, 2019.⁷

⁷ 50 FR 37835 (September 18, 1985) and 84 FR 5347 (February 21, 2019).

The proposed action is a major rate adjustment, as defined by 10 CFR 903.2(e). In accordance with 10 CFR 903.15(a) and 10 CFR 903.16(a), WAPA will hold public information and public comment forums for this rate adjustment. WAPA will review and consider all timely public comments at the conclusion of the consultation and comment period and make amendments or adjustments to the proposal as appropriate. Proposed rates will be forwarded to the Assistant Secretary for Electricity for approval on an interim basis.

WAPA is proposing the SLCA/IP firm power rate and revised CRSP transmission and ancillary services formula rates in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152). This Act transferred to, and vested in, the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts that specifically apply to the projects involved.

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to WAPA's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, or to remand or disapprove such rates to FERC. By Delegation Order No. 00-002.00Q, effective November 1, 2018, the Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary of Energy. By Redelelegation Order No. 00-002.10D, effective June 4, 2019, the Under Secretary of Energy further delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Assistant Secretary for Electricity.

Availability of Information

All brochures, studies, comments, letters, memoranda, or other documents that WAPA initiates or uses to develop the proposed rates are available for inspection and copying at the Colorado River Storage Project Management Center, 299 South Main Street, Suite 200, Salt Lake City, Utah. Many of these documents and supporting information are also available on WAPA's website at <https://www.wapa.gov/regions/CRSP/rates/Pages/rates.aspx>.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.⁸

⁸ In compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321-4347); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021).

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: January 10, 2020,

Mark A. Gabriel,
Administrator.

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